

## Message Text

CONFIDENTIAL

PAGE 01 LONDON 10907 01 OF 02 111645Z  
ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 AF-10 ARA-10 EA-10  
NEA-10 DODE-00 COME-00 INT-05 GSA-02 SS-15 SP-02  
L-03 CIAE-00 INR-10 NSAE-00 OIC-02 TRSE-00  
NSCE-00 SSO-00 ICAE-00 INRE-00 /113 W  
-----090170 111711Z /73

O 111632Z JUL 78  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC IMMEDIATE 7987  
INFO USMISSION GENEVA IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 10907

GENEVA FOR STATE ASST. SECRETARY KATZ AND TREASURY ASST.  
SECRETARY BERGSTEN  
DEPT. PASS TREASURY ELECTRONICALLY FOR HELEN JUNZ

E.O. 11652: GDS  
TAGS: ETRD, EMIN, ITC  
SUBJECT: US POSITION AT THE INTERNATIONAL TIN COUNCIL

REF: LENAHAH/OGDEN AND BELFORD/GALE TELECONS

1. SUMMARIZED BELOW IS THE SITUATION AT THE CURRENT ITC SESSION ON THE PRICE RANGE QUESTION.
2. PRODUCERS: THE PRODUCERS HAVE NOT YET REACHED AGREEMENT ON A PRODUCER PROPOSAL FOR ADJUSTMENT OF THE PRICE RANGE. WE HAVE BEEN ADVISED BY RELIABLE PRODUCERS THAT BOLIVIA IS HOLDING OUT FOR A PRODUCER REQUEST FOR M\$1500-1900 PRICE RANGE. AUSTRALIA AND INDONESIA, WITH SOME SUPPORT FROM THAILAND AND MALAYSIA, ARE ARGUING THAT PRODUCERS SHOULD TAKE A MORE FLEXIBLE POSITION AIMED AT A M\$1400-1700 PRICE RANGE, BUT PERHAPS WITH A FALL-BACK TO M\$1350 AT THE FLOOR.

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PAGE 02 LONDON 10907 01 OF 02 111645Z

3. THE SECRETARIAT: THE SECRETARIAT (PETER LAI) IS CONCERNED THAT ANOTHER CONFRONTATION ON THE PRICE RANGE WOULD PROVOKE THE BOLIVIANS TO WITHDRAW FROM THE COUNCIL. ACCORDINGLY, PETER LAI IS GIVING SOME CONSIDERATION TO A SECRETARIAT STATEMENT TO THE EFFECT THAT, ON THE BASIS OF ITS MARKET EVALUATION, IT BELIEVES THAT A M\$1350-1650 PRICE RANGE WOULD BE APPROPRIATE AND SHOULD BE ACCEPT-

ABLE TO MOST PRODUCERS AND CONSUMERS. AT OUR REQUEST LAI WILL DEFER MAKING HIS STATEMENT UNTIL HE IS CONVINCED THAT SUCH A STATEMENT IS NECESSARY TO AVOID A CONTINUING CONFRONTATION WITHIN THE COUNCIL.

4. THE CONSUMER POSITION: THE POSITION WITHIN THE CONSUMER CAUCUS IS CONFUSED. THE FRENCH, BELGIANS, DANISH AND DUTCH, SUPPORTED BY THE SOVIETS (WHICH UNDOUBTEDLY MEANS SUPPORT BY THE OTHER FIVE EASTERN EUROPEAN CONSUMERS), SUPPORT A PRICE RANGE OF M\$1400 AT THE FLOOR AND M\$1700-1800 AT THE CEILING. THEY HAVE ALREADY ADVISED PRODUCERS OF THEIR VIEWS. WITHIN THE GROUP OF FIVE THE SITUATION IS AS FOLLOWS:

-- THE CANADIANS FAVOR A M\$1300-1700 PRICE RANGE; THEY HAVE THE FLEXIBILITY TO GO ABOVE M\$1300, BUT WOULD PREFER NOT TO USE THAT FLEXIBILITY UNLESS NECESSARY TO AVOID ISOLATION FROM OTHER CONSUMERS.

-- THE JAPANESE OPENING POSITION IS M\$1300-1650, BUT THEY HAVE THE FLEXIBILITY TO GO UP AN ADDITIONAL M\$50 ON THE FLOOR IF SUCH ACTION IS NECESSARY TO GET PRODUCERS TO AGREE TO ANNUAL PRICE REVIEWS IN 1979 AND 1980.

-- THE BRITISH POSITION IS A VERY FLEXIBLE M\$1400-1700 PRICE RANGE, WITH THE ABILITY TO GO ABOVE M\$1700 IF NECESSARY.

-- THE GERMANS OPENING POSITION WAS M\$1300-1700, BUT  
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PAGE 03 LONDON 10907 01 OF 02 111645Z

THEY HAVE ADVISED THE GROUP OF FIVE THAT SINCE THEY NOW OCCUPY THE EEC PRESIDENCY, THEY MUST NOT BE ISOLATED FROM THE BRITISH, AND THAT IF THE BRITISH FALL BACK TO M\$1350 OR M\$1400 AT THE FLOOR THEN THEY WILL BE OBLIGATED TO GO ALONG WITH THE BRITISH.

5. WE HAVE ADVANCED OUR M\$1200-1700 POSITION WITHIN THE GROUP OF FIVE TO ATTEMPT TO GET A CONSENSUS WHICH WE COULD PUSH THROUGH THE CONSUMER CAUCUS AND SUBMIT TO PRODUCERS IN PLENARY ON A TAKE IT OR LEAVE IT BASIS. WE HAVE RECEIVED NO SUPPORT FROM THE OTHER FOUR, ALL OF WHOM ARE PREPARED TO WORK TOWARDS A GROUP OF FIVE CONSENSUS ONLY IF IT INVOLVES A MINIMUM FLOOR PRICE INCREASE OF M\$100. EVEN HERE, THE BRITISH HAVE INDICATED THAT THEY WOULD FEEL MORE COMFORTABLE WITH A CONSENSUS FOR A M\$1350 FLOOR PRICE.

6. POSITION OF THE DELEGATION: STATE, COMMERCE AND TREASURY REPS. BELIEVE THAT IF PRINCIPAL CONSUMERS ARE UNABLE TO REACH A CONSENSUS ON A PROPOSAL FOR SUBMISSION TO PLENARY WE WILL END UP THIS WEEK'S MEETING WITH A FLOOR PRICE INCREASE OF AT LEAST M\$150, AND CONCEIVABLY

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PAGE 01 LONDON 10907 02 OF 02 111641Z  
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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 10907

EVEN M\$200, I.E. AN INCREASE OF THE FLOOR TO M\$1350 OR  
M\$1400. THIS WILL HAPPEN BECAUSE EACH OF THE PRINCIPAL  
CONSUMERS WILL GO INTO THE PLENARY WITH INDIVIDUAL CON-  
CESSIONS IN MIND WHERE THE FRENCH AND OTHER WEAK-  
MINDED CONSUMERS, THE PRODUCERS AND THE SECRETARIAT WILL  
TAKE THE BEST FROM EACH PRINCIPAL CONSUMER'S POSITION  
AND MANIPULATE PRINCIPAL CONSUMERS AGAINST EACH OTHER TO  
THE POINT WHERE THE BRITISH AND JAPANESE WILL BOTH FALL  
BACK TO AGREEMENT FOR A M\$1350 FLOOR PRICE. UNDER THIS  
SCENARIO THE SITUATION COULD GET EVEN WORSE IF THE  
BRITISH WERE TO FALL BACK TO M\$1400 AT THE FLOOR (A  
FLOOR PRICE NOW ACCEPTABLE TO ALL OTHER EEC MEMBERS  
EXCEPT THE FRG) AND THE FRG WERE REQUIRED TO GO ALONG  
WITH THE OTHER EEC MEMBERS TO AVOID ISOLATION WITHIN THE  
EEC. UNDER THESE CIRCUMSTANCES WE BELIEVE THAT IT IS  
ESSENTIAL THAT WE VIEW THE PRICE RANGE ISSUE AS A  
"LEAST LOSS" PROPOSITION, AND IT IS OUR UNANIMOUS VIEW  
THAT AT THIS STAGE THE BEST WAY TO POSSIBLY LIMIT OUR  
LOSSES IS TO FORGE A CONSENSUS OF PRINCIPAL CONSUMERS  
FOR A PROPOSAL TO INCREASE THE PRICE RANGE BY M\$100 AT  
THE FLOOR AND M\$200 AT THE CEILING. IF WASHINGTON  
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PAGE 02 LONDON 10907 02 OF 02 111641Z

APPROVES THIS POSITION, WE WILL WORK AS CLOSELY AS POSSIBLE WITH THE JAPANESE AND GERMAN DELEGATIONS TO KEEP THEM COMMITTED TO NO FURTHER CONCESSIONS. HOWEVER, THIS CANNOT BE GUARANTEED, GIVEN THE SOFTNESS OF THE BRITISH POSITION.

7. PLEASE ADVISE BY TELEPHONE TO LENAHAH WITH FOLLOWING IMMEDIATE CABLE OF CONFIRMATION.

BREWSTER

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## Message Attributes

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Sheryl P. Walter  
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